

Message Text

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C O N F I D E N T I A L STATE 111035

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E.O. 11652: GDS

TAGS: EFIN, CZ, US

SUBJECT:LUERS/MARKS/MERRIGAN MEETING ON CLAIMS/GOLD

1. EUR DEPUTY ASSISTANT SECRETARY LUERS AND L DEPUTY
LEGAL ADVISOR MARKS MET WITH LOCAL ATTORNEY EDWARD
MERRIGAN APRIL 27 ON CLAIMS/GOLD. DAMROSCH (L/EUR)
AND CZECHOSLOVAK DESK OFFICER SAT IN. SUBSTANCE OF
MEETING AS FOLLOWS.

2. LUERS NOTED THAT THE TRADE ACT OF 1974 OBLIGATES US
TO ACT ON CLAIMS/GOLD. WE DO NOT WANT TO PRESENT A
PROPOSAL TO THE GOC WITHOUT LONG'S APPROVAL. HE HAS
CHANGED HIS POSITION SEVERAL TIMES. WE THINK WE NOW CAN
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OBTAIN A BETTER SETTLEMENT THAN THAT OF 1974. IN VIEW
OF THIS SITUATION, LUERS SAID, WE WOULD APPRECIATE
MERRIGAN'S ADVICE.

3. MERRIGAN SAID LONG AND HE HAVE BEEN FRIENDS SINCE
HIGH SCHOOL. LONG'S POSITION, SUPPORTED BY OTHER
MEMBERS OF THE SENATE FINANCE COMMITTEE, IS THAT THE

USG MUST OBTAIN A FAIR CLAIMS SETTLEMENT. THE 1974 AGREEMENT WOULD HAVE HAD US RETURN THE GOLD IN RETURN FOR THE GOC'S AGREEMENT TO PAY COMPENSATION IN INSTALLMENTS. ONCE IT HAD RECEIVED THE GOLD, IT COULD HAVE

RENEGED AND LEFT US WITH ALMOST NOTHING. LONG HAS NO SPECIAL PROBLEM WITH CZECHOSLOVAKIA OR WITH CERTAIN CLAIMANTS; IT'S STRICTLY A MATTER OF PRINCIPLE.

4. MERRIGAN SAID THAT, ALTHOUGH LONG WILL TALK PUBLICLY ABOUT THE NEED FOR A 100 SETTLEMENT, IT IS ALMOST CERTAIN THAT HE WOULD ACCEPT A CASH PAYMENT OF \$35 MILLION. MERRIGAN SAID THAT IF THE CZECHOSLOVAKS AGREED TO PAY \$35 MILLION IN ONE LUMP SUM, HE WOULD BE WILLING TO TRY TO PERSUADE LONG TO ACCEPT IT. LONG FEELS A NEED TO TAKE A HARD LINE WITH STATE SINCE HE IS AFRAID THAT STATE WOULD SETTLE FOR LESS THAN THE AMOUNT HE APPROVES.

5. MERRIGAN ALSO PROPOSED A NEW STRATEGY FOR DEALING WITH THE CLAIMS/GOLD ISSUE. HE ADVOCATED THAT THE TRIPARTITE COMMISSION, IF THE UK AND FRANCE WOULD AGREE, OR THE US UNILATERALLY, SELL THE GOLD AT ITS DISPOSAL, INVEST THE PROCEEDS THEREFROM, AND USE THE INTEREST TO PAY THE CLAIMANTS. THE CONGRESS WOULD PROBABLY APPROVE THE NEW LEGISLATION NECESSARY TO IMPLEMENT THIS PROPOSAL. THIS ACTION COULD BE PRESENTED TO THE GOC AS A STEP TOWARD NORMALIZING

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RELATIONS. IN THIS WAY, THE GOC WOULD, IN EFFECT, BE MAKING REGULAR, ALBEIT FORCED, PAYMENTS TO THE CLAIMANTS AND WOULD PROBABLY THEREBY QUALIFY FOR MFN TARIFF STATUS IF IT MET THE TRADE ACT'S EMIGRATION PROVISIONS (JACKSON/VANIK). WE WOULD HOLD THE AMOUNT OBTAINED FROM THE GOLD'S SALE IN ESCROW, AS IT WERE, FOR THE GOC UNTIL THE CLAIMANTS HAD BEEN PAID OR UNTIL IT DECIDED TO NEGOTIATE A CLAIMS SETTLEMENT AGREEMENT. THE LEGISLATION PROVIDING FOR OUR SALE OF THE GOLD COULD INCLUDE A PROVISION ALLOWING THE GOC THE RIGHT OF FIRST PURCHASE AT CURRENT MARKET PRICES. IT COULD THEREBY OBTAIN COINS OF SPECIAL HISTORICAL OR OTHER VALUE. MERRIGAN NOTED THAT, IF WE DO NOT MOVE, THE GOC WILL LIKELY WAIT INDEFINITELY. LONG HIMSELF, HE ADDED, ALMOST INTRODUCED A BILL OF THIS SORT LAST YEAR BUT CHANGED HIS MIND AT THE LAST MINUTE TO AVOID PROVOKING A FIGHT WITH STATE. MERRIGAN CAUTIONED THAT SOME PROVISION SHOULD BE MADE FOR FUTURE CLAIMANTS WHOSE CLAIMS HAVE NOT YET BEEN ADJUDICATED BY THE FOREIGN CLAIMS SETTLEMENT COMMISSION.

6. LUERS NOTED OUR INTEREST IN MERRIGAN'S PROPOSAL BUT OBSERVED THAT IT COULD LEAVE AN EVENTUAL SETTLEMENT HANGING FOR SOME TIME, I.E., UNTIL ALL THE CLAIMANTS

HAVE BEEN PAID.

7. F.Y.I. WE HAVE ASKED THE BRITISH AND FRENCH EMBASSIES
TO ASCERTAIN THEIR GOVERNMENT'S POSITIONS ON VARIOUS MET-
HODS OF UNILATERALLY VESTING OR SELLING THE GOLD,

INCLUDING MERRIGAN'S PROPOSAL. WE WILL ALSO CHECK WITH
THE FOREIGN CLAIMS SETTLEMENT COMMISSION FOR ITS VIEWS ON
MERRIGAN'S PROPOSAL.

8. WE WOULD APPRECIATE YOUR VIEWS ON MERRIGAN'S IDEA OF
A SETTLEMENT FIGURE (PARA 4) AS WELL AS HIS PROPOSAL FOR
A NEW STRATEGY (PARA 5). VANCE

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